

## Message Text

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PAGE 01 STATE 146633  
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E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 344 - JUNE 23, 1977

1. ISRAEL. ALTHOUGH THE FINAL TALLY IN THE HISTADRUT ELECTIONS WILL NOT BE KNOWN UNTIL LATER TODAY, COMPUTER PROJECTIONS BASED ON THREE-QUARTERS OF THE BALLOTS SHOW THE FOLLOWING EXPECTED PERCENTAGES OF THE VOTE FOR THE MAJOR PARTIES:

LABOR - 52 PERCENT

LIKUD - 30 PERCENT

DMC - 7 PERCENT

2. WHILE THESE RESULTS REPRESENT A SLIGHT DECLINE FOR THE LABOR PARTY (58 PERCENT IN 1973), IT HAS SUCCEEDED IN ITS PRIMARY AIM OF MAINTAINING CONTROL OF ITS MAJOR POWER  
CONFIDENTIAL

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PAGE 02 STATE 146633

BASE. LABOR LEADERS PROCLAIMED THE OUTCOME A CONVINCING VICTORY, ALTHOUGH LABOR HAS ALWAYS DONE MUCH BETTER IN HISTADRUT ELECTIONS THAN IN GENERAL ELECTIONS, GIVEN THE PARTICULARISTIC NATURE OF THE HISTADRUT ELECTORATE.

3. MORE IMPORTANT, SOME 100,000 VOTERS WHO HAD CAST THEIR BALLOTS FOR LIKUD IN MAY SWITCHED TO LABOR IN THE

HISTADRUT ELECTION, ACCORDING TO POLLS BY ISRAELI TELEVISION. THIS SHIFT UNDERSCORES THE APPARENT CONCERN OF MANY ISRAELIS ABOUT THE POLICIES THAT THE BEGIN GOVERNMENT MAY ADOPT ON DOMESTIC ECONOMIC ISSUES.

4. LABOR'S RETENTION OF CONTROL IN THE HISTADRUT WILL GIVE IT A CHANCE TO REBUILD THE PARTY SO THAT IT CAN CHALLENGE THE BEGIN GOVERNMENT AND TO CONFRONT LIKUD OVER DOMESTIC ECONOMIC ISSUES AND BLOCK ITS AIM OF UNDERCUTTING THE SOCIALIST NATURE OF THE ECONOMY AND ITS PLANS FOR WEAKENING THE HISTADRUT.

5. NEVERTHELESS, THE RESULTS OF THE HISTADRUT VOTING WILL HAVE LITTLE IMPACT IN THE SHORT TERM ON THE SURVIVABILITY OF THE LIKUD GOVERNMENT--ITS KNESSET BASE REMAINS SECURE--AND WILL PROBABLY NOT DETER BEGIN FROM ATTEMPTING TO IMPLEMENT HIS CONSERVATIVE ECONOMIC PROGRAM.

6. BEGIN'S ECONOMIC DECISIONS WILL REFLECT HIS PRE-OCCUPATION WITH STRENGTHENING ISRAEL IN ORDER TO DETER A CONFRONTATION WITH THE US OR, IN THE EVENT DETERRENCE FAILS, TO ENABLE ISRAEL TO WEATHER SUCH A CRISIS. IN ORDER TO PROMOTE THIS OBJECTIVE, BEGIN WILL TRY TO BALANCE THE NEED TO REDUCE ISRAEL'S VULNERABILITY TO US ECONOMIC AND FINANCIAL PRESSURE, WHICH WOULD DICTATE

CONFIDENTIAL

PAGE 03 STATE 146633

AUSTERITY, AGAINST THE NEED TO PREVENT A DETERIORATION IN THE LIVING STANDARDS OF HIS LOWER-CLASS ORIENTAL CONSTITUENTS. ADDING TO HIS BURDEN WILL BE THE NATIONAL SECURITY IMPERATIVE OF PREVENTING A SHARPENING OF TENSIONS BETWEEN ORIENTAL JEWS AND THOSE OF EUROPEAN ORIGIN WHICH FURTHER ECONOMIC DEPRIVATION COULD INDUCE.

7. EMBASSY TEL AVIV NOTED THAT OFFICIALS OF BOTH THE LABOR PARTY AND THE HISTADRUT ARE EXPRESSING CONCERN THAT BEGIN'S HARDLINE IMAGE AND POLICIES ARE LIKELY TO ERODE THE LABOR PARTY'S SPECIAL TIES TO INTERNATIONAL LABOR. AT THE SAME TIME, THE HERETOFORE STRONG SUPPORT OF ISRAEL BY INTERNATIONAL SOCIALIST AND LABOR LEADERS, PARTICULARLY EUROPEANS, WILL BECOME MORE QUALIFIED, THESE OFFICIALS FEAR. (CONFIDENTIAL)

8. EGYPT. EMBASSY CAIRO NOTED, MEANWHILE, THAT THE EGYPTIAN PRESS HAS ABANDONED ITS EDITORIAL RETICENCE TOWARD BEGIN, PUBLISHING SEVERAL ANALYSES YESTERDAY WHICH REFLECTED EGYPTIAN SUSPICIONS OF BEGIN AND HIS CABINET CHOICES. AL-AKHBAR SAID BEGIN'S GOVERNMENT WAS COMPROMISED OF "KNIGHTS OF EXPANSION," AND GUMHURRIYAH

EDITORIALIZED THAT IT WILL LIKELY HINDER THE POSSIBILITIES OF ACHIEVING A PEACE SETTLEMENT. THE QUESTION REMAINS WHETHER THE EGYPTIAN PRESS NOW PLANS TO ABANDON ITS RELATIVELY MODERATE APPROACH TOWARD ISRAEL IN FAVOR OF A PROPAGANDA CAMPAIGN.

9. A KUWAITI NEWSPAPER REPORTED YESTERDAY THAT THE EGYPTIANS HAVE DECIDED TO CALL UP THE ARMED FORCES RESERVES AS A PRECAUTIONARY MEASURE FOLLOWING THE FORMATION OF THE LIKUD-DOMINATED GOVERNMENT IN ISRAEL. THE SAME PAPER SAID THAT JORDAN AND SYRIA HAD PLACED THEIR BORDER UNITS ON ALERT FOR THE SAME REASON. WE HAVE NO OTHER INFORMATION TO SUBSTANTIATE THESE REPORTS.

CONFIDENTIAL

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PAGE 04 STATE 146633

10. THE EGYPTIAN GOVERNMENT APPEARS TO BE USING A REDUCTION IN THE GOVERNMENT'S SUBSIDY ON PHARMACEUTICAL GOODS AS A "TEST AREA" FOR OTHER SUBSIDY REDUCTIONS, ACCORDING TO EMBASSY CAIRO. LAST JANUARY'S RIOTS WERE TOUCHED OFF BY A HEAVY-HANDED GOVERNMENT PLAN WHICH REDUCED SUBSIDIES. IF THE SUBSIDY REDUCTION STICKS IN THE PHARMACEUTICAL AREA, THE MINISTER OF HEALTH EXPECTS THAT IT WILL BE APPLIED ELSEWHERE. THE MINISTER FEELS THAT CRITICISM IN THE PEOPLE'S ASSEMBLY IS DIMINISHING AND WILL FADE AWAY IN A FEW WEEKS. (LIMITED OFFICIAL USE)

11. ARAB SUMMIT. LIBYAN LEADER QADHAFI'S CALL FOR AN ARAB SUMMIT MEETING IN TRIPOLI AND HIS FOREIGN MINISTER'S RELATED MISSION TO A NUMBER OF ARAB CAPITALS REFLECT A RENEWED EFFORT BY QADHAFI TO BREAK OUT OF HIS UNCOMFORTABLE ISOLATION AND LACK OF INFLUENCE IN ARAB CIRCLES. QADHAFI CALCULATES THAT HOLDING A SUMMIT IN TRIPOLI WOULD ENHANCE HIS PRESTIGE WITHIN LIBYA AND PROVIDE A FAVORABLE SETTING FOR A PERSONAL MEETING WITH SADAT TO SETTLE THEIR FEUD. QADHAFI SEEMS CONVINCED THAT IT IS TIME FOR ARABS TO PULL TOGETHER AND CONSIDERS A FACE-TO-FACE MEETING AS THE BEST WAY TO EFFECT A RECONCILIATION WITH EGYPT.

12. THE STATED PURPOSE OF AN ARAB SUMMIT IS TO DEAL WITH THE CRITICAL SITUATION IN THE MIDDLE EAST, PARTICULARLY THE PALESTINIAN PROBLEM. QADHAFI PROBABLY FEELS THAT THE PESSIMISTIC CLIMATE IN THE MIDDLE EAST IN THE WAKE OF

BEGIN'S VICTORY HAS INCREASED LIBYA'S CHANCES FOR PLAYING A GREATER ROLE IN ARAB AFFAIRS. SINCE HE CONSIDERS THAT RENEWED FIGHTING IS COMING CLOSER; THE VALUE OF LIBYA'S LARGE WEAPONS STOCKPILE, WHICH HE HAS PLEDGED TO THE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 146633

ARAB SIDE IN THE EVENT OF WAR, HAS BEEN ENHANCED.

13. IT IS UNLIKELY THAT QADHAFI'S CAMPAIGN WILL GIVE HIM A PROMINENT ROLE IN ARAB AFFAIRS. LIBYAN DIPLOMATIC CLUMSINESS, QADHAFI'S INTRANSIGENCE, AND A DEEP ARAB MISTRUST OF HIS MOTIVES AND METHODS WILL UNDERMINE THE EFFECTIVENESS OF HIS MANEUVERS. NEVERTHELESS, THE ARABS ARE UNLIKELY TO ISOLATE COMPLETELY ONE OF THEIR NUMBER, AND QADHAFI MAY GAIN A SUPERFICIAL SEMBLANCE OF ACCEPTABILITY. (CONFIDENTIAL)

14. LEBANON. CONCERN OVER THE SOUTHERN SITUATION AND THE FAILURE TO IMPLEMENT THE CAIRO ACCORDS IS GROWING IN LEBANON. ON TUESDAY THE PARLIAMENTARY FOREIGN AFFAIRS AND DEFENSE COMMITTEES MET TO DISCUSS THESE ISSUES. THIS IS THE FIRST TIME IN SEVERAL MONTHS THAT THESE PARLIAMENTARY COMMITTEES HAVE BEEN ACTIVE IN THE DECISION-MAKING PROCESS AND MAY REFLECT PRESIDENT SARKIS' DESIRE TO GIVE A GREATER POLITICAL IMPACT TO GOVERNMENT POLICES. FOREIGN MINISTER BOUTROS WILL CONVEY THEIR DECISIONS TO THE QUADRIPARTITE COMMITTEE MEMBERS.

15. AFTER A SERIES OF CONTACTS BETWEEN PHALANGE AND FATAH REPRESENTATIVES, A TENTATIVE UNDERSTANDING HAD RECENTLY BEEN REACHED ON A DETENTE IN SOUTH LEBANON. A LEAK OF THE TALKS TO THE PRESS, HOWEVER, HAD "FRIGHTENED OFF" THE PALESTINIANS, AND THE UNDERSTANDING HAD NOT BEEN GIVEN ANY FINAL FORM. THERE MAY STILL BE AN OPPORTUNITY FOR PROGRESS, ALTHOUGH IT IS UNCERTAIN WHETHER THE TENTATIVE AGREEMENT WILL COME TO FRUITION. WE BELIEVE, HOWEVER, THAT ANY PHALANGE-FATAH AGREEMENT WOULD HAVE LITTLE CHANCE OF SUCCESS, SINCE NEITHER GROUP COULD LIKELY CONTROL THE CONTENDING FACTIONS IN THE SOUTH. (LIMITED OFFICIAL USE) CHRISTOPHER

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